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ACTION AF-00

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|-------------|---------|---------|---------|---------|---------|---------|
| INFO LOG-00 | NP-00   | AID-00  | CEA-01  | CIAE-00 | CTME-00 | DINT-00 |
| DODE-00     | DOEE-00 | SRPP-00 | DS-00   | EB-00   | EUR-00  | EXIM-01 |
| E-00        | FO-01   | VC-00   | FRB-00  | H-01    | TEDE-00 | INR-00  |
| ITC-01      | LAB-01  | L-00    | VCE-00  | AC-01   | NSAE-00 | OES-01  |
| OMB-01      | OPIC-01 | PA-00   | PM-00   | PRS-00  | ACE-00  | P-00    |
| SP-00       | IRM-00  | SSO-00  | STR-00  | USIE-00 | EPAE-00 | PMB-00  |
| DSCC-00     | DRL-02  | G-00    | NFAT-00 | SAS-00  | /012W   |         |

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FM AMEMBASSY HARARE  
TO SECSTATE WASHDC IMMEDIATE 7170  
INFO NSC WASHDC IMMEDIATE  
DEPTTREAS WASHDC  
USDOC WASHDC  
DEPT OF TRANS WASHDC  
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

C O N F I D E N T I A L HARARE 005350

SIPDIS

USDOC FOR 2037/ERIC HENDERSON

TREASURY FOR ED BARBER AND GRACE SONE

NSC FOR SENIOR AFRICA DIRECTOR GAYLE SMITH

LONDON FOR GURNEY

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PARIS FOR BISA WILLIAMS

PASS USTR FOR ROSA WHITAKER

E.O. 12958: DECL: 09/22/10

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SUBJECT: GOVERNMENT CONTINUES STOPGAP FUEL ACQUISITION  
IN ANTICIPATION OF POSSIBLE CABINET CONSIDERATION OF OIL  
INDUSTRY RESTRUCTURING

CLASSIFIED BY DCM EARL M. IRVING FOR REASONS 1.5 B/D.

**¶11.** (SBU) ACCORDING TO PRESS REPORTING, THE GOVERNMENT OF ZIMBABWE SIGNED A ZIM\$2.5 BILLION (APPROXIMATELY USD 50 MILLION) LINE OF CREDIT WITH PETRONAS, THE MALAYSIAN OIL COMPANY. MOTOR FUELS WILL BE SUPPLIED TO THE COUNTRY OVERLAND, BY RAIL AND ROAD, BY ENGEN. THE MALAYSIAN COMPANY, WHICH HAS AN 80 PERCENT STAKE IN ENGEN, WILL ACCEPT PAYMENT FOR THE PETROLEUM PRODUCTS IN LOCAL CURRENCY. THE AGREEMENT WITH PETRONAS INVOLVES A SPLIT OF USD 25 MILLION FOR A 90-DAY REPAYMENT PERIOD AND ANOTHER USD 25 MILLION FOR 360 DAYS, ACCORDING TO THE PRESS. ALTHOUGH THE MEDIA HERE BILLS THE DEAL AS "A LONG TERM SOLUTION TO THE PRESENT FUEL CRISIS," INDUSTRY SOURCES DESCRIBE THE ARRANGEMENT AS A STOPGAP THAT WILL KEEP THE COUNTRY IN PETROLEUM PRODUCTS FOR ANOTHER COUPLE OF MONTHS.

**¶12.** (C) A DELEGATION FROM THE IPG KUWAITI OIL COMPANY, WHICH HAS BEEN ZIMBABWE'S SOLE FUEL SUPPLIER FOR THE LAST SIX MONTHS, MET WITH PRESIDENT MUGABE SEPTEMBER 20,  
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AFTER WHICH THE COMPANY'S CHAIRMAN TOLD THE PRESS, "WE WILL CONTINUE TO SUPPLY FUEL TO ZIMBABWE AND THE CONTRACT SHOULD BE EXTENDED. SHORTAGES OF FUEL WERE BECAUSE OF OUR FINANCIAL EXPOSURE." MOHAMMAD F. AL-MOHAMMAD, THE KUWAITI EMBASSY'S ACTING DCM (PROTECT), TOLD US THAT THE TERMS FOR THE IPG CONTRACT WERE TOUGH: U.S. DOLLAR CASH PAYMENTS IN 30 DAYS WITH STEEP INTEREST AND PENALTY REQUIREMENTS. IN RESPONSE TO OUR QUESTION OF WHERE THE MONEY TO PAY FOR THIS WOULD COME FROM OUR INTERLOCUTOR UNHESITATINGLY SAID, "QADHAFI, OF COURSE." ACCORDING TO THE PRESS, IPG IS "FINANCIALLY EXPOSED TO THE TUNE OF USD 80 MILLION." OIL INDUSTRY SOURCES WAVE AWAY AS EMPTY IPG PROMISES TO INVEST IN THE PIPELINE FROM MOZAMBIQUE (OF WHICH IT HAS EXCLUSIVE USE) AND STORAGE FACILITIES AS PART OF ITS LONG TERM COMMITMENT TO ZIMBABWE.

**¶13.** (U) MEANWHILE, RETAIL FUEL SUPPLIES AROUND THE COUNTRY CONTINUE TO BE INADEQUATE. GASOLINE AVAILABILITY AT SERVICE STATIONS IS SPOTTY, WHILE DIESEL IS EXTREMELY SCARCE, EVEN AT THE CENTRAL MECHANICAL EQUIPMENT DEPARTMENT GARAGES, WHICH FURNISH FUEL FOR

ZIMBABWEAN GOVERNMENT VEHICLES AND THE DIPLOMATIC CORPS. EMBASSY OPERATIONS CONTINUE LARGELY UNAFFECTED THANKS TO OUR CONTRACT WITH CALTEX TO KEEP OUR FUEL STORAGE TANKS TOPPED OFF.

¶4. (C) MOBIL OIL'S AMCIT GENERAL MANAGER, THOMAS WALTER (PROTECT), TOLD US THAT HE AND OTHER PRIVATELY OWNED OIL COMPANY EXECUTIVES HAVE ENJOYED A GOOD WORKING RELATIONSHIP WITH NEW MINISTER OF MINES AND ENERGY,  
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SYDNEY SEKEREMAYI. SEKEREMAYI'S POINT MAN ON THE FUEL CRISIS IS HIS PERMANENT SECRETARY, NICHOLAS KITIKITI, WHOM WALTER DESCRIBED AS BRIGHT AND ACTION-ORIENTED. KITIKITI HAS HELD CONSTRUCTIVE DISCUSSIONS WITH THE PRIVATE PETROLEUM PRODUCT RETAILERS, FROM WHICH HAS EMERGED A PLAN FOR POSSIBLE PRESENTATION TO CABINET SEPTEMBER 26 TO RESTRUCTURE THE OIL INDUSTRY IN ZIMBABWE. ALTHOUGH WALTER DID NOT ENTER INTO SPECIFICS, WE IMAGINE IT WILL REMOVE THE NATIONAL OIL COMPANY OF ZIMBABWE'S MONOPOLY ON OIL PROCUREMENT. THE MOBIL OIL EXECUTIVE SAID THAT, THE PRIVATE OIL COMPANIES WOULD BE WILLING TO TAKE A CHANCE AND BOOST SUPPLIES. HE NOTED THAT THE LONG TERM GOAL WOULD BE TO MAKE THE NEW ARRANGEMENT "FINANCIABLE." "WE ARE POSED FOR A BREAKTHROUGH," WALTER CONCLUDED.

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